

No.6/ 26 /DPNP

Jakarta, June 30th, 2004

CIRCULAR LETTER

To

ALL COMMERCIAL BANKS

CONDUCTING CONVENTIONAL ACTIVITIES

IN INDONESIA

Subject: Statutory Reserves in Rupiahs and Foreign Currencies for
Commercial Banks

In regard to the enactment of Bank Indonesia Regulation Number 6/15/PBI/2004 dated June 28, 2004 concerning Statutory Reserves in Rupiahs and Foreign Currencies for Commercial Banks (The State Gazette of the Republic of Indonesia of 2004 Number 55, The Supplement to the State Gazette Number 4390), it is deemed necessary to give further explanation on several provisions in the referred Bank Indonesia Regulation as follows:

I. GENERAL PROVISIONS

In order to create and sustain a conducive and stable economic condition, it is necessary to conduct efforts in maintaining the monetary stability. One of the monetary measures used by Bank Indonesia to maintain this monetary stability is the application of Statutory Reserves (SR) to all Banks in Indonesia.

Until recently, several economic indicators have shown the need to alter the policies of Bank Indonesia concerning the liquidity regulation in rupiahs, mainly the rupiahs liquidity in the banking system. Regarding this concern, it is deemed necessary for Bank Indonesia to increase the percentage of SR in Rupiahs for several categories of Banks. To compensate the raise of SR percentage, Bank Indonesia shall provide demand deposit service for the obligation to keep the concerned additional SR.

II. Demand

II. DEMAND DEPOSIT SERVICE

In accordance with Article 11 Bank Indonesia Regulation Number 6/15/PBI/2004, Bank Indonesia shall provide demand deposit service with the amount of 3% (three percent) per-year, to the portion of the Balance of Rupiahs Account of the Bank provided as a compliance of the obligation to keep the additional SR in Rupiahs as referred to in Article 3 number (2) letter a, letter b, or letter c, of Bank Indonesia Regulation Number 6/15/PBI/2004.

The demand deposit service of 3% (three percent) referred to is the effective annual rate based on daily compounding period for 360 (three hundred and sixty) days, with the following formula:

$$\text{Effective annual rate} = \left(1 + \left(\frac{\text{Annual rate}}{360 \text{ days}} \right) \right)^{360 \text{ days}} - 1$$

Therefore, the demand deposit service given to the portion the Rupiahs Account balance of the Bank held for compliance with the obligation to keep the additional SR equals to of 0,0082% per-day.

The demand deposit service as referred to shall be calculated on every working day based on the balance of Rupiahs Account of the Bank that is recorded and acquired from the account system of Bank Indonesia. The credit of the demand deposit service, in accordance with Article 17 of Bank Indonesia Regulation Number 6/15/PBI/2004, shall be executed as follows:

- a. on 8th for the demand deposit service period from date 1 to 7 of the same month;
- b. on 16th for the demand deposit period from 8th to 15th of the same month;
- c. on 24th for the demand deposit period from 16th to 23rd of the same month;

d. on 1st

- d. on 1st of the following month for the demand deposit period from 24th to the last date of the previous month.

The debit of Demand Deposit Account of the Bank in compliance with Article 17 of Bank Indonesia Regulation Number 6/15/PBI/2004, as a result of the sanction for the inadequate SR shall be done on the following working day after the date of SR violation.

In the event that the dates for demand deposit service installment or the dates of the debit for Demand Deposit Account of the Bank is on holidays, the credit or debit of the Bank Demand Deposit Account shall be executed by Bank Indonesia on the following working day.

In the event that a mistaken credit or debit related to the demand deposit service or the sanction for violating SR by Bank Indonesia, Bank Indonesia may debit or credit the concerning Bank demand deposit account as regulated by the provisions on Bank Indonesia – Real Time Gross Settlement.

An example of the calculation of SR, demand deposit service and sanction for violating SR:

Bank A owns an averaged Third Party Funds (TPF) in Rupiahs within the reporting period from 8th to 15th of January 2004 with the amount of Rp. 55.000.000.000.000,00 (fifty five trillion rupiahs).

The daily SR that must be kept for the reporting period from 24th to the last date of January 2004 is as follow:

1. 5% (five percent) of Rp 55.000.000.000.000,00 (fifty five trillion rupiahs) is Rp. 2.750.000.000.000,00 (two trillion seven hundred and fifty billion

Rupiah), as.....

rupiahs), as regulated in Article 3 number (1) of Bank Indonesia Regulation Number 6/15/PBI/2004; added by

2. 3% (three percent) of Rp 55.000.000.000.000,00 (fifty five trillion rupiahs) is Rp1.650.000.000.000,00 (one trillion six hundred and fifty billion rupiahs) as regulated by Article 3 number (2) of Bank Indonesia Regulation Number 6/15/PBI/2004.

The Balance of Rupiah Demand Deposit Account owned by Bank A in Bank Indonesia on:

- on January 24th, 2004 was Rp. 4.400.000.000.000,00 (four trillion and four hundred billion rupiahs) or 8% of TPF in Rupiahs;
- on January 25th, 2004 was Rp. 4.400.000.000.000,00 (four trillion and four hundred billion rupiahs) or 8% of TPF in Rupiahs;
- on January 26th, 2004 was Rp4.000.000.000.000,00 (four trillion rupiahs) or 7,3% of TPF in Rupiahs;
- on January 27th, 2004 was Rp5.000.000.000.000,00 (five trillion rupiahs) or 9,1% of TPF in Rupiahs;
- on January 28th, 2004 was Rp6.500.000.000.000,00 (six trillion and five hundred billion rupiahs) or 11,82% of TPF in Rupiahs;
- on January 29th, 2004 was Rp5.500.000.000.000,00 (five trillion and five hundred billion rupiahs) or 10% of TPF in rupiahs;
- on January 30th, 2004 was Rp4.400.000.000.000,00 (four trillion and four hundred billion rupiahs) or 8% of TPF in rupiahs;
- on January 31st, 2004 is Rp4.400.000.000.000,00 (four trillion and four hundred billion rupiahs) or 8% of TPF in rupiahs.

January 24th, 25th, and 31st, 2004 and February 1st, 2004 are holidays.

The average rate for 1 (one) day overnight from JIBOR on January 26th, 2004 was 6%.

The Balance of Rupiah Demand Deposit Account on January 24th, 25th, and 31st, 2004 was not applicable for demand deposit service because those dates were not working days. The calculation for demand deposit service for each January 24th, 25th, and 31st, 2004 is as follows:

0,0082% x portion of the balance of Rupiah Account of
the Bank categorized as the obligatory maintenance of additional
SR; is

$$0,0082\% \times \text{Rp}1.650.000.000.000,00 = \text{Rp}135.300.000,00$$

The sanction for the inadequate demand deposit service for January 26th, 2004 shall be calculated as follow:

$$\frac{\text{Rp}400.000.000.000,00 \times 1,25 \times 6 \times 1 \text{ day}}{360 \times 100}$$

The credit for demand deposit service for each January 27th, 28th, 29th, and 30th, 2004 shall be executed by Bank Indonesia on the Bank Rupiah Demand Deposit Account on February 2nd, 2004, because February 1st is a holiday. The demand deposit service credited to the Bank Rupiah Demand Deposit Account on February 2nd, 2004 is as follows:

$$4 \times \text{Rp}135.300.000,00 = \text{Rp}541.200.000,00$$

The debit of the Bank Rupiah Demand Deposit Account as a sanction for the inadequate SR on January 26th, 2004 with the amount of Rp83.333.333,33 shall be executed on the following working day, which is January 27th, 2004.

III. CONCLUDING PROVISIONS

The provisions in this Bank Indonesia Circular Letter shall come into force on July 1st, 2004.

For the public to be informed, it is ordered that this Circular Letter be promulgated in the State Gazette of the Republic of Indonesia.

Kindly be informed.

BANK INDONESIA,

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MAMAN H. SOMANTRI
DEPUTY GUBERNUR